

STATINTL

Approved For Release 2003/06/05 : CIA-RDP84-00780R004200110007-9

Let's set 1 November  
as outside date for  
formal proposal to DCI  
on Medical Catastrophe  
Package - rationale  
etc. Feasible?

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OGC Has Reviewed

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MEMORANDUM FOR: Executive Director-Comptroller

20 SEP 1971

SUBJECT : Catastrophic Health Insurance

1. Paragraph 3 contains a request for your approval in principle before further action is taken on the above subject.

2. You may recall that on 9 February 1971 I met with you to discuss the report of an ad hoc committee's proposals to assist employees and dependents in financial catastrophes resulting from medically related conditions. At that time I pointed out that John Warner suggested that the cost of a catastrophic health insurance program might be borne by the Agency and we should examine the legality and feasibility of such a program within specific parameters. You agreed that this suggestion be pursued.

3. The result of the further work led by John Warner [redacted] is described in the attached papers. In summary, we need a determination that such a program is for a "purpose necessary to carry out the Agency's functions" and that approximately [redacted] per annum would be an acceptable cost for the Agency. We would appreciate approval in principle of such a program before we pursue it further. For example, we have internal work to do to develop a full and formal rationale to justify that it is necessary to carry out our functions and we must do some research to determine our options for commercial insurance or self insurance by paying claims from appropriated funds. Following that, it might be desirable to talk with Mr. Ruddock as well as members of our Congressional committees.

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John W. Coffey  
Deputy Director  
for Support

Att: Memo dtd 23 Aug 71 to DD/S  
fm DGC, same subject  
cc: Mr. Warner

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APPROVED IN PRINCIPLE

L. K. White

Executive Director-Comptroller

Date

Distribution:

Orig - Adse (Pls return to DD/S)  
1 - ExDir-Compt  
1 - ER  
1 - DD/S Chrono

TAB

OGC 71-1248

23 August 1971

MEMORANDUM FOR: Deputy Director for Support

SUBJECT: Catastrophic Health Insurance

REFERENCE: 11 Feb 71 Memo fr DDS for DGC,  
Same Subject

1. Pursuant to referent, [ ] and I have done considerable work, including additional negotiations with Mutual of Omaha, in attempting to deal with the catastrophic health insurance problem. We felt it was necessary to define what we were talking about before we could determine either feasibility or legality.

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2. Many believed that probably the Director's real concern in his query about improved medical and hospitalization benefits was with catastrophe situations. Consequently, among ourselves and with the help of Mutual of Omaha, we have finally received cost quotations for catastrophe coverage and what would be covered by such insurance.

3. The essential elements of coverage are as follows:

a. Medical and hospital expenses which are not covered by the existing GEHA contract with Mutual of Omaha, including major medical.

b. Expenses relating to illness or injury, such as rehabilitation training but excluding custodial or normal schooling.

c. The employee, spouse, and children up to age 22 would be covered.

d. Coverage has been priced at both a \$20,000 lifetime and a \$30,000 lifetime maximum.

e. The cost was priced with deductibles as a percentage of annual gross salary, ranging in multiples of 5 to 25 per cent. Thereafter, coverage would reimburse 80 per cent of the expenses, with the employee paying 20 per cent.

f. Mutual of Omaha has indicated that rates would be predicated upon 100 per cent employee participation. (This means either 100 per cent of employees covered by GEHA or 100 per cent of the Agency employee population.)

g. All of the above coverage is in addition to existing benefits under GEHA. Reimbursement would be computed, beginning with those expenses which would not be covered by GEHA, including major medical. This would be true whether or not the employee was covered by GEHA.

4. Mutual of Omaha has developed the cost figures for the above coverage by going back over the last 10 years of its actual experience with Agency employees covered under GEHA. The cost estimates for the various deductibles and options are included in the attached letters from Mutual, dated 22 July and 11 August 1971. If we were to take the \$30,000 lifetime maximum with a 10 per cent deductible, the cost for covering all employees of the Agency (and their dependents) would be approximately  per annum.

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5. It can be argued that a financial catastrophe affecting an Agency employee is of official concern to the Agency. Not only would such an employee be more susceptible to financial offers, but the concerns caused by serious financial difficulties could possibly affect his judgment on serious security matters. Therefore, if the Agency were to determine that expenditures to alleviate such concerns were for "purposes necessary to carry out its functions," technical legal authority exists in section 8(a) of P. L. 81-110. Obviously, there are policy and political considerations in embarking on such a program. It might be wise to discuss it with Andrew E. Ruddock, Civil Service Commission, who, in effect, is the Government's administrator of medical and health benefit programs. It would also appear to be necessary to discuss these proposals with our congressional committees.

6. It appears impractical to offer such a program on a voluntary basis with the employees paying the premiums because of the underwriter's concern about selection against interest. It would also seem undesirable and probably impractical to add this coverage to the existing contract between Mutual of Omaha and GEHA since it is doubtful that it would be approved by the Civil Service Commission. Consequently, the alternative is to offer coverage to all employees.

7. The considerable amount of time it has taken to get these cost estimates reflects the fact that the proposals were so novel there was difficulty in communicating to the Mutual of Omaha representatives here precisely what we wanted. Furthermore, a local Mutual of Omaha representative in turn had difficulty communicating with Omaha's actuaries in the home office. As of now these figures are very firm.

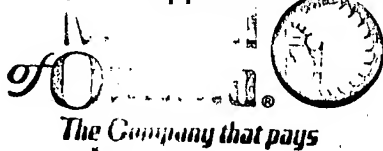
8. The above is not intended to be a fully staffed proposal to embark on a catastrophe insurance program underwritten by the Agency. Also, it is not intended to foreclose consideration of self-insurance. The legal and political considerations would appear to be substantially the same. It is intended rather to illustrate a sample program and indicate a possibility that it could receive the necessary approvals within the framework of existing law.

9. Please advise if we can be of any further assistance.

[Redacted Signature Box]

JOHN S. WARNER  
Deputy General Counsel

cc: Director of Personnel



1666 Connecticut Ave.  
Washington, D.C. 20009  
Phone 483-3100

General Agent

E. A. MOYLE, C.L.U., Assistant Manager  
E. W. FITZGERALD, Policy Service  
M. L. EVERETT, Office Manager

WILLIAM C. FITCH JR., Administrative Assistant  
T. W. PREMO, Claims Manager  
H. W. HAYARD, Comptroller

August 11, 1971

STAT

President  
Government Employees Health Association  
P. O. Box 463  
Washington, D.C. 20044

RE: Supplement to GMG 1799  
Separate Contract


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Rates under the above contract supplement for this group's  
employees are as follows:

<u>Deductible as a % of Annual Gross Salary</u>	<u>\$20,000 Lifetime Max.</u>	<u>\$30,000 Lifetime Max.</u>
5%	\$ .96	\$ 1.09
10%	.70	<u>.84</u>
15%	.52	.65
20%	.39	.52
25%	.28	.41

The same rules apply as in the case of dependent coverage. Rates  
are based on 100% employee participation.

Yours very truly,

  
Joseph E. Jones  
General Agent





JOSEPH E. JONES, General Agent  
1666 Connecticut Ave.  
Washington, D.C. 20009  
Phone 483-3100

E. A. MOYLE, C.L.U., Assistant Manager  
E. W. FITZGERALD, Policy Service  
M. L. EVERETT, Office Manager

G. H. L'HEUREUX, Coordinator  
T. W. PREMIO, Claims Manager  
H. W. HAVARD, Comptroller

July 22, 1971

STAT

[Redacted]

*President*

*Government Employees Health Association*

*P. O. Box 463*

*Washington, D. C. 20044*

*RE: Separate Contract to  
Supplement GMG 1799*

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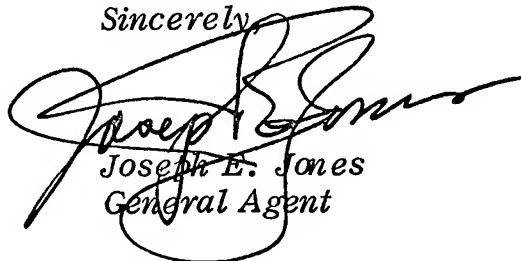
[Redacted]

*You will find quoted below rates for supplemental dependent coverage  
for GMG 1799.*

<u>Deductible as of % of Annual Gross Salary</u>	<u>Monthly Rate</u>	
	<u>\$20,000 Lifetime Max.</u>	<u>\$30,000 Lifetime Max.</u>
5%	\$ 1.21	\$ 1.34
10%	.96	1.09
15%	.77	.90
20%	.64	.77
25%	.53	.67

*All of the dependents must be included as the rates are predicated  
upon 100% dependent participation.*

*Sincerely,*



Joseph E. Jones  
General Agent

JEJ:bmw

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cc:

[Redacted]

Colonel White

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Although I regret the long intervening time period since the subject was last before you, I am happy to send forward the attached paperwork on the medical catastrophes problem. I suggest that a short discussion with John Warner, [redacted] and [redacted] present might be desirable before you put this proposal, assuming that it is satisfactory, to the Director.

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[redacted]  
John W. Coffey

20 SEP 1971

DD/S:JWC:llc (20 September 1971)

Distribution:

- O - Addressee w/O DD/S 71-3523
- 1 - DD/S Chrono w/cc DD/S 71-3523
- ~~1~~ - DD/S Subject
- 1 - ER w/cc DD/S 71-3523

DD/S 71-3523: Memo for ExDir frm DD/S subj: Catastrophic Health Insurance  
dtd 20 SEP 1971 w/att: Memo dtd 23 Aug 71 to DD/S frm DGC same subj

Next 2 Page(s) In Document Exempt

NOTE FOR: Mr. Coffey

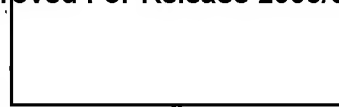
I agree that the availability of funds is not an issue at this time. The real reasons for this memo are to get an OK on the "purpose necessary . . . ." and that  is acceptable level. Have re-written memo deleting "and funds are available."

WEB

25 JUL 1976

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I'm not sure I  
understand what  
we are asking Col W.  
I can see Col W getting  
an OK on the "purpose  
necessary ---" and  
that [redacted] is acceptable  
level. Saying that funds  
are or will be made  
available is quite  
different. .... Or have  
I completely misread

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*the memo*

*Let's talk about it  
please*



9 SEP 1971

Registry does not have a record of receiving  
reference dtd 11 Feb 71, however, we did  
receive a memo fr OGC dtd 8 Apr 71 which  
is still charged to

Pls put with  
papers for me  
to talk to 

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(We'll want early advice  
to Ex Dir of progress)



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